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# Intellectual and Industrial Property in a Nutshell

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# INTELLECTUAL AND INDUSTRIAL PROPERTY IN A NUTSHELL

THOMAS G. FIELDS, JR.\*

## I. INTRODUCTION

It has always been popular to put complicated legal subjects in nutshells, but let it be said at the outset that this article is not for the individual who has spent time wandering in the intellectual and industrial property thicket. Broad approaches to this subject matter have been tried before, and the degree of their success has been quite directly proportional to substantive scope and inversely to length.<sup>1</sup> Insofar as this is both as broad as the most comprehensive and the length of the shortest, several observations are in order.

First, intellectual and industrial property *is* property—extremely valuable property at that.<sup>2</sup> However, this is not a subject that gets more than passing attention in many curricula, and none in most. Consequently, few lawyers, aside from the specialists, know much about it. Moreover, unlike most areas of legal specialization, such as tax, labor, and antitrust law, the basic principles of which are known to most general practitioners, if a generalist knows anything about literary or industrial property, it is apt to be wrong.<sup>3</sup> Furthermore, because clients tend to approach

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<sup>1</sup> Two good, short articles are: Martin, *What to Advise Before Calling the Intellectual Property Specialist*, 7 L. NOTES 119 (1971); Pretty, *Industrial Processes and Formulas: Special Considerations for the Lawyer in Protecting Them*, 8 L. NOTES 91 (1972). For an excellent piece with considerably more detail see Note, *Unfair Competition Protection after Sears and Compco*, 40 N.Y.U.L. REV. 101 (1965).

<sup>2</sup> J. CRIBBET, *PRINCIPLES OF THE LAW OF PROPERTY* 4 (1962). There, Dean Cribbet observes in part: "Thus analyzed, it will be seen that property can exist in relation to an infinite number of things. . . . It is just as true, but less obvious, that . . . patents, trademarks, copyrights, and even good will can be brought within the ken of property." *But cf.* Mr. Justice Holmes' comment in *E.I. duPont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917): "The word 'property' as applied to trade-marks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith."

<sup>3</sup> See, e.g., P. GOLDSTEIN, *PREFACE TO COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES* (1973).

generalists first, substantial and incurable injury may result from a generalist's mistaken notions of literary and industrial property law. Avoiding such injury is one of the objectives of this article. Second, most of the mystique surrounding literary and industrial property is wholly unjustified. While its acquisition may sometimes be more complicated than the acquisition of some other kinds of property, intellectual and industrial property can generally be transferred and protected like other property. Most of the mystique in this area dissolves with the acquisition of a working vocabulary; such a vocabulary can be set forth in short order. Third and finally, it is hoped that this article can be used to integrate the subject of literary and industrial property into more widely known areas of law.

## II. THE BASIC VOCABULARY

What is "intellectual and industrial" property? It is the rights arising from and concerning: (1) the physical expression of ideas and (2) the good will acquired in the operation of a business. As with other types of property, these valuable rights originate with the state.<sup>4</sup> A large segment of this law is governed by federal statutes; an equally important part is governed by both common law and state statutes.

The manner by which intellectual or industrial property is acquired varies according to its sub-classifications. In some types, ownership can vest only in the inventor, or the creator of the property; in other types, ownership is acquired by the first to claim ownership, in much the same way as title to wild animals is acquired.

The law governing the transfer and protection of these forms of property is similarly varied. Literary or industrial property is usually transferred by contract, although it may also be transferred by gift, bequest, or interstate succession.<sup>5</sup> Moreover, it may be protected by actions in tort or contract, as well as by the criminal process.

### A. Patents and Copyrights

There are three reasons for discussing patents and copyrights

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<sup>4</sup> *E.g.*, J. CRIBBET, *supra* note 2.

<sup>5</sup> *DeSylva v. Ballentine*, 351 U.S. 570 (1956). *See also* Friendly, *In Praise of Erie—and of the New Federal Common Law*, 39 N.Y.U.L. REV. 383, 414 (1964).

first: (1) they are almost exclusively governed by federal law because of a specific provision in the United States Constitution;<sup>6</sup> (2) they are probably the first to come to mind when one considers protection of intellectual or literary property; and (3) they are the subject of some of the most serious and damaging legal misunderstandings among the public and the general bar.

In brief, there are only three basic kinds of patents. In order of the greatest number granted, the types of patents are: (1) the utility patent; (2) the design patent; and (3) the plant patent. The utility patent is what is uniformly meant when the word "patent" is used without more, and will be so intended when "patent" is used without qualification in this article. All types of patents allow the patentee to prevent others from making, using, or selling the subject of the patent for the duration of the grant.

A utility patent protects the inventor of a novel machine, industrial process, composition of matter, or article of manufacture. Although the categories of inventions protectible by utility patent overlap somewhat, and the outer limits of this patent protection have been the subject of considerable litigation, relatively clear-cut examples of the above classes of utility patents suffice for purposes of this brief study. The examples are respectively: a motor, a process of tempering steel, nylon, and a toothbrush. In contrast with utility patents, design patents protect the appearance or shape, rather than function, of articles of manufacture. Articles that may be proper subjects of design patents include soft drink bottles or chairs. The subject of plant patents has little to do with either of the foregoing; plant patent protection is limited to certain novel asexually propagated plant species.<sup>7</sup>

Copyrights may be contrasted with utility patents. A copyright generally affords protection of original means of expressing an idea; a utility patent protects novel means of its implementation. A copyright allows its "proprietor" to prevent the copying (and, in some instances, the performance) of that expression. It may be noted that to the extent that copyright protects perform-

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<sup>6</sup> U.S. CONST. art. I, § 8 provides: "The Congress shall have power . . . to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." For an analysis of the above provision see Marmorek, *The Inventor's Common-Law Rights Today*, 50 J. PAT. OFF. SOC'Y 369, 376 (1968).

<sup>7</sup> There are no animal patents. *But cf.* Plant Variety Protection Act, 7 U.S.C. §§ 2321-583 (1970).

ance, the nature of its protection resembles patent protection.<sup>8</sup> The subject matter of a copyright, however, is fairly distinguishable from that which may be protected by patent; a copyright is generally available for literature, photography, music, drama, and sculpture.

While both patents and copyrights will be discussed in more detail, two further points need underscoring. First, an important distinction between patents and copyrights exists: copyright protection arises automatically upon inscription of a notice of claim upon a work when the work is first reproduced for sale; it is not until *later* that the claim is filed by the proprietor. But patent protection does not arise until the patent application has been filed with and approved by the patent office; a patentee has nothing until his patent issues after a lengthy and complex examination process. Second, when the terms "patent" and "copyright" are used, they properly refer only to rights acquired exclusively by virtue of federal statutory law.<sup>10</sup>

### B. Trademarks

Whereas copyright protection and patent protection are available for concrete expressions of or implementations of ideas, trademarks may be used to protect the good will of a business. Patents and copyrights depend entirely on acts of creation: one must be the originator or inventor to acquire such protection. Trademark protection depends exclusively upon being the first to claim use of a mark, whether or not original, to distinguish the source of a product in commerce. Of course a trademark may be invented by the one desiring to use the mark as a commercial label, and fanciful, original marks are probably superior for advertising purposes, but the right to use a mark does not depend upon inventorship; rather, the right is usually acquired in pretty much the same way as ownership of wild animals: the first to take "possession" acquires the superior right.

Unlike patents and copyrights, trademark rights are not exclusively acquired by federal statute. While there *is* a federal statute,<sup>11</sup> it is based on the broad power of the commerce clause; and

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<sup>8</sup> See, e.g., *Muller v. Triborough Bridge Authority*, 43 F. Supp. 298 (S.D.N.Y. 1942); but see *Fleischer Studios v. Freundlich*, 73 F.2d 276 (2d Cir. 1934).

<sup>9</sup> 17 U.S.C. § 10 (1970).

<sup>10</sup> Cf. *DeSylva v. Ballentine*, 351 U.S. 570 (1956).

<sup>11</sup> 15 U.S.C. §§ 1051-127 (1970).

such protection is therefore limited to interstate transactions.<sup>12</sup> Consequently, state statutory and common law are important complements to interstate protection of trademarks, and this law exclusively governs marks that are used only in intrastate commerce.<sup>13</sup>

### C. Unfair Competition Law

"Unfair competition" is a term of art; it is probably more so than any other term. In other words, it does not mean what the words literally suggest. The term is sometimes abused, even by specialists, but as properly used, unfair competition law refers only to an area of common law underlying the trademark law. It should be used exclusively to refer to common law enforcement of integrity in indicating the source of goods or services in commerce.<sup>14</sup> Thus, unfair competition law applies, for example, to a situation where one company "palms off" its goods as those of another, and where, for one reason or another, a state or federal statutory trademark is not directly involved.<sup>15</sup>

It bears emphasis that the law of "unfair competition" is much narrower than the term implies. On the one hand, it is to be distinguished from other private law generally preventing businesses from competing unfairly with one another. On the other, it is to be distinguished from public law of the same type that is oriented toward *direct* protection of the consumer and the public rather than protection of a specific business.<sup>16</sup>

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<sup>12</sup> See, e.g., *Trademark Cases*, 100 U.S. 82 (1879).

<sup>13</sup> See, e.g., *In re Taylor*, 133 U.S.P.Q. 490, 491 (Pat. Off. Tmk. Trial & App. Bd. 1962); *Morehouse Mfg. Corp. v. Strickland*, 407 F.2d 881, 888 (C.C.P.A. 1969).

<sup>14</sup> This is a trifle argumentative, but a failure to use precise terminology breeds serious problems. For example, two years ago, two congressional bills were being considered by two subcommittees of a single, small committee (402) of the ABA PTC Section. One carefully distinguished "unfair competition" from the "law of contracts, or confidential or proprietary information of trade secrets." S. 643, 92d Cong., 1st Sess. § 301 (1965). The other defined acts of unfair competition to include those that "result or [are] likely to result in the wrongful disclosure or appropriation of a trade secret or confidential information." S. 647, 92d Cong., 1st Sess. § 43(a)3 (1965).

<sup>15</sup> For an excellent general discussion, see Note, *Unfair Competition Protection after Sears and Compco*, 40 N.Y.U.L. REV. 101 (1965). See also *Developments in the Law: Trademarks and Unfair Competition*, 68 HARV. L. REV. 814 (1955). \*

<sup>16</sup> The most generic of these is § 5 of the Federal Trade Commission Act, 15 U.S.C. § 45(a)(1) (1970), which makes "unfair methods of competition . . . unlawful." See *Colligan v. Activities Club*, 442 F.2d 686 (2d Cir.), *cert. denied*, 404 U.S. 1004 (1971). See also, *Pep Boys v. FTC*, 122 F.2d 158 (3d Cir. 1941).

#### D. Trade Secret Law

Trade secret law, at least in terms of subject matter, is state law quite similar to patent law. Trade secret law renders tortious the unlawful use by another of secret know-how or other information used in one's business that gives one an advantage over business competitors who do not know or use such information.<sup>17</sup>

Trade secret law is especially valuable because it protects subject matter that is not eligible for patent and copyright protection. But unlike patents and copyrights, however, trade secret law does not confer a monopoly, legal or otherwise. Although actual use of the information in a business is currently necessary to qualify for trade secret protection, "trade secret" probably should apply to information that has a commercial value, whether or not it is being used commercially. It should afford protection to an individual who properly attempts to sell information not yet converted to commercial use to an ongoing business; but as yet unauthorized conversions of trade secrets have been treated as contract problems, rather than actions in tort.<sup>18</sup>

Unlike patents and copyrights, there is no time limit on trade secret protection. This makes good sense when one considers that trade secret law only prevents someone from converting information that belongs to another. Unlike patent law, trade secret law does not protect the original discoverer of that information from independent, subsequent discovery or derivation of that information by another. In other words, it only prevents the second party from obtaining the information by stealing, breach of confidence, bribery of key employees, or other unlawful means,<sup>19</sup> and within those parameters, there is no basis for conflict between patent and trade secret law.<sup>20</sup>

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<sup>17</sup> *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974).

<sup>18</sup> *E.g.*, *Downey v. General Foods Corp.*, 37 App. Div. 2d 250, 323 N.Y.S.2d 578 (1971), *rev'd*, 31 N.Y.2d 56, 286 N.E.2d 257, 334 N.Y.S.2d 874 (1972). *Compare* *Tabor v. Hoffman*, 119 N.Y. 30, 23 N.E. 12 (1889), *and* *E.I. duPont de Nemours & Co. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970), *cert. denied*, 400 U.S. 1024 (1971).

<sup>19</sup> *E.g.*, *Tabor v. Hoffman*, 119 N.Y. 30, 23 N.E. 12 (1889); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974); *W.R. Grace v. Hargadine*, 392 F.2d 9 (6th Cir. 1968).

<sup>20</sup> *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974); *compare* *Sears, Roebuck & Co. v. Stiffel*, 376 U.S. 225 (1964), *and* *Compco Corp. v. Day-brite Lighting, Inc.*, 376 U.S. 234 (1964).

### E. Literary Property

Literary property is separately discussed because some states apply the term to their common law equivalent of copyright law. As mentioned above, federal statutory copyright protection generally arises only upon publication of a work. Literary property law fills the gap between the time of creation and publication. Aside from some differences in classification of subject matter, the law of trade secrets and literary property are the same.<sup>21</sup>

### F. Other State Protection

There are a variety of other rights and remedies under state law that may loosely be said to involve intellectual and industrial property. Not surprisingly, interference with rights in this area, as in the more traditional property areas, may generate criminal liability.<sup>22</sup> There is little rational distinction between stealing money and stealing information that is worth money, aside from the obvious problems of proof of ownership and of taking.

Similarly, as has been noted, contract rights may be primarily involved and may be enforced by the usual legal and equitable remedies.<sup>23</sup>

Finally, aside from conversion, there are a variety of traditional torts that fall, more or less, in this area, such as interference with contract, interference with business by picketing illegally, or slander and libel. Although these areas of recovery are sufficiently well-known to be largely ignored here, it will do well to keep them in mind as the substantive law is surveyed in the following sections.

## III. PATENTS

The word "patent" is an abbreviated form of the term "letters patent" and most broadly represents an exclusive license from a governmental body. An early form of patent in the United States was a land grant patent to railroads conferring upon them the exclusive and unlimited right to certain tracts of land as incentive

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<sup>21</sup> See, e.g., *Downey v. General Foods*, 37 App. Div. 2d 250, 323 N.Y.S.2d 874 (1971), *rev'd* 31 N.Y.2d 56, 286 N.E.2d 257, 334 N.Y.S.2d 874 (1972).

<sup>22</sup> E.g., OHIO REV. CODE ANN. § 1333.51 (Page Supp. 1973).

<sup>23</sup> E.g., *Downey v. General Foods*, 37 App. Div. 2d 250, 323 N.Y.S.2d 578 (1971), *rev'd* 31 N.Y.2d 56, 286 N.E.2d 257, 334 N.Y.S.2d 874 (1972).



to lay track across a growing country.<sup>24</sup> Unlike land grant patents which were unlimited in duration, the types of patents to be discussed here are strictly of limited duration.<sup>25</sup> From the date of issue, the duration of patent protection depends upon the kind of patent issued: (1) utility patents are effective seventeen years;<sup>26</sup> (2) plant patents, seventeen years;<sup>27</sup> and (3) design patents, at the option of the applicant prior to issue, are effective three and one half, seven or fourteen years.<sup>28</sup> All patents are non-renewable grants.

The most widely accepted rationale for these grants is similar to the purpose of the old railroad land grants—to provide *an incentive to invest* in the research and development necessary to achieve measurable improvement in our standard of life. In return for that investment, a party successful in making an innovation acceptable under the standards of the patent laws is rewarded by the right to use, produce, or perform the subject matter of the patent *exclusively* for the duration of the patent, even though someone else may later come up with the same innovation. A patentee is thus said to have a “legal” monopoly. A legal monopoly should be distinguished from an “economic” monopoly since a great many patents are so-called “paper” patents and are never put to commercial use. Although this distinction is widely ignored, it is one for the generalist to consider when he is confronted with a client who wishes a patent.

#### A. Acquiring the Patent

The focus of this section will be on utility patents. The procedure for acquiring all patents is similar although the standards of eligibility for a patent may vary in material respect depending upon the type of patent sought. As mentioned above, there are four kinds of utility patents defined in the statute.<sup>29</sup> Unless one can bring the subject matter of a proposed patent within one or more of the statutory categories a patent application will be properly denied. For example, mental processes and methods of doing busi-

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<sup>24</sup> See, e.g., *Northern Pac. Ry. v. United States*, 356 U.S. 1 (1958).

<sup>25</sup> U.S. CONST. art. I, § 8.

<sup>26</sup> 35 U.S.C. § 154 (1970).

<sup>27</sup> *Id.*; *id.* § 161.

<sup>28</sup> *Id.* § 173.

<sup>29</sup> *Id.* § 101. See text accompanying note 7.

ness, have been held *not* to be the proper subject matter of a utility patent.<sup>30</sup>

Assuming that a party is the original inventor of subject matter proper for a utility patent, he must first file a patent application.<sup>31</sup> Only the inventor, his heirs, or assignees can file an application; the discoverer of a lost art cannot file.<sup>32</sup> A patent application consists of a description of the subject matter sought to be patented (called a specification), with or without drawings, a fee, and an oath or declaration that the applicant is the first and true inventor.<sup>33</sup> The statute requires the applicant to describe his invention in terms that will enable those skilled "in the art" to practice his invention after the patent has expired. Moreover, the specification must conclude with one or more claims or statements that define the invention with particularity. It is customary to speak of the specification as a general description, not only of the invention, but also of the prior art. Thus one function of "the claims" is to *distinguish* that part of the specification which the applicant claims to be *his particular contribution* to the art.

This application is then filed with the United States Patent Office where it is given a filing date and an application number and is assigned to the docket of a patent examiner. Over a period between eighteen months to several years, the patent examiner and the applicant's counsel will intermittently engage in correspondence concerning the merits of the application.

It is the obligation of the patent examiner to ensure that the application is complete; that the specification enables those skilled in the art to practice the invention;<sup>34</sup> that the invention is proper subject matter of a utility patent;<sup>35</sup> and that it is useful,<sup>36</sup> new or novel,<sup>37</sup> and not obvious to those skilled in the art at the time of the filing.<sup>38</sup> It is in regard to the novelty requirement, especially, that the generalist may be able to avoid loss to a client. An invention is not novel, and is therefore unpatentable, unless an application is filed *within a year* of the time the invention is sold, used

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<sup>30</sup> See, e.g., *In re Musgrave*, 431 F.2d 882 (C.C.P.A. 1970).

<sup>31</sup> 35 U.S.C. § 111 (1970).

<sup>32</sup> *Id.*; but see *id.* §§ 116-18.

<sup>33</sup> *Id.* §§ 112-15.

<sup>34</sup> *Id.* § 112.

<sup>35</sup> *Id.* § 101. *In re Musgrave*, 431 F.2d 882 (C.C.P.A. 1970).

<sup>36</sup> 35 U.S.C. § 101 (1970).

<sup>37</sup> *Id.* § 102.

<sup>38</sup> *Id.* § 103.

publicly, or described in a printed publication.<sup>39</sup> This means that if the inventor has an article published that describes his discovery, he has *one year* from the date of publication in which to file his patent application; by failure to so file, the invention falls into the public domain, is no longer novel, and is no longer patentable.

If the application meets the statutory requirements to the satisfaction of the patent examiner, the application is prepared to be issued as a patent upon the payment of an issue fee.<sup>40</sup> An application may be drawn into contest interference at the time it is prepared for issuance as a patent. Because only one patent may issue for a single invention, interference proceedings are used to determine who is the *first*, or true, inventor.<sup>41</sup> It is in the area of interference too, that proper, early counseling by a generalist may prove to be of immense value. It is important to have a *believable* record of what the inventor did in regard to his invention—and when he did it—to use as evidence in an interference proceeding. As soon as the lawyer becomes aware of inventive actions by a client, the lawyer should suggest that third party affidavits and other means of objective proof of inventorship be collected. Fortunately, however, most applications are not contested by interference and issue as a patent at this stage.

If the applicant is unable to convince the patent examiner of the merits of his application (or in the rare case, is unable to prevail in an interference), the applicant may abandon the application, refile it, or initiate a complex series of appeals within the Patent Office and ultimately to the federal courts.<sup>42</sup>

### B. The Patent and the Courts

Once an application has been issued as a patent by the Patent Office (no rights arise before issue), it becomes the business of the courts to enforce the resultant rights of the patentee. Such proceedings are usually initiated by a patentee upon discovery that someone else is improperly practicing or producing the patented invention. After informal means of resolving the dispute have failed, the patentee must maintain an action in the federal courts to protect his interest. Success in such litigation may result in an

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<sup>39</sup> *Id.* § 102.

<sup>40</sup> *Id.* § 151.

<sup>41</sup> *Id.* § 102(g); see also Martin, *supra* note 1.

<sup>42</sup> See Lipscomb, *Appeals from Patent Office Decisions*, 50 J. PAT. OFF. SOC'Y 178 (1968).

injunction against further infringement and recovery of up to three times actual damages proven to be the result of past infringement.<sup>43</sup> Patent infringement litigation is expensive and time-consuming for both parties.

Upon being sued by the patentee, the party accused of patent infringement has several defenses available to him: (1) that he is not practicing the patentee's invention, that is the acts of the alleged infringer are not within the scope of the inventor's patents claims; (2) that the alleged infringer is practicing the invention under a valid license (essentially a contract suit); (3) that because the patentee is misusing his patent grant, the patentee has "unclean hands" and is not entitled to have his rights enforced;<sup>44</sup> and (4) the patent or a portion of the patent is invalid.<sup>45</sup> Invariably, the first and fourth defenses will be advanced by the alleged infringer. It is the fourth, in particular, that will be fatal to the patentee—or at least to the patent in controversy. For once a patent has been declared invalid, and is no longer subject to appeal, the patentee loses all rights he may have had in that invention, and the subject matter of the patent is irrevocably lost into the public domain.

In spite of a legislative presumption of the validity of a patent, some courts have been far too quick to hold patents invalid. Even one justice of the United States Supreme Court has remarked that the only valid patent is one "which this court hasn't gotten its hands on."<sup>46</sup> Patentees have not fared well, not only in the Supreme Court, but also in several of the circuit courts of appeals. If one assumes that only legitimately contestable patents result in litigation, the patentees should have about a fifty-fifty chance of success, notwithstanding the presumption of validity. In many jurisdictions, however, the pattern has been that the patentee never prevails and contested patents are routinely invalidated. This situation is of considerable concern to a great many people.<sup>47</sup>

Moreover, in recent years the patentee has had to carry an increasingly heavy burden to overcome the defense of misuse. It is

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<sup>43</sup> 35 U.S.C. § 284 (1970); *see generally id.* §§ 281-86.

<sup>44</sup> *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942).

<sup>45</sup> 35 U.S.C. §§ 282, 288 (1970); *Blonder-Tongue Laboratories v. University of Ill. Foundation*, 402 U.S. 313 (1971).

<sup>46</sup> *Jungersen v. Ostby & Barton*, 335 U.S. 560, 572 (1949) (Jackson, J., dissenting).

<sup>47</sup> One of the more objective appraisals of this judicial persuasion is found in Fortas, *The Patent System in Distress*, 53 J. PAT. OFF. SOC'Y 810 (1971).

a fundamental maxim of equity that one who seeks relief must come into court with clean hands. On the basis of various anti-trust theories the patentee has found that his hands have had to become cleaner and cleaner to recover from an admitted infringer of a valid patent. But the problems of a patentee with unclean hands do not end with a finding of misuse; one shade beyond misuse lurks possible violation of anti-trust law.<sup>48</sup> The treble damages remedy for violation of anti-trust statutes renders such actions similar in nature to a private attorney general suit and all but discourages the patentee, out of fear of incurring anti-trust liability, from attempting to protect his rights under patent.<sup>49</sup>

The current situation, then, is that a patentee seeking to enforce his rights thereunder, risks having his patent invalidated, having enforcement of it denied, and being found liable to his erstwhile "infringer" for treble damages. The line from one to the other is often difficult to spot. Many feel that the current risk/reward ratio is too low to justify attempts at enforcement.<sup>50</sup>

#### IV. COPYRIGHT

##### A. Kinds of Copyrights

A copyright may be obtained in the following subject matter areas: (a) books; (b) periodicals, including newspapers; (c) lectures, sermons, addresses (prepared for oral delivery); (d) dramatic or dramatico-musical compositions; (e) musical compositions; (f) maps; (g) works of art (and models and designs therefor); (h) reproductions of works of art; (i) drawings or plastic works of a scientific or technical nature; (j) photographs; (k) prints and pictorial illustrations including prints or labels used for articles or merchandise; (l) motion-picture photoplays; (m) motion pictures other than photoplays; and (n) sound recordings. These classifications are not exclusive and: "shall not be held to limit the subject matter of copyright . . . nor shall any error in classification invali-

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<sup>48</sup> See, e.g., *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942). A situation somewhat between misuse and anti-trust violation is found in *LaPeyre v. FTC*, 366 F.2d 117 (5th Cir. 1966). An example of the other side of the line is *Walker Process Equip. v. Food Mach. & Chem.*, 382 U.S. 172 (1965).

<sup>49</sup> Clayton Act § 4, 15 U.S.C. § 15 (1970).

<sup>50</sup> See Baxter, *Legal Restrictions on Exploitation of the Patent Monopoly: An Economic Analysis*, 76 YALE L.J. 267 (1966); Forman, *The Changing Characteristics of Private Property*, 53 J. PAT. OFF. Soc'y 530 (1971); see also Fortas, *supra* note 47.

date or impair the copyright protection secured under this title.”<sup>51</sup>

Thus, it can be seen that the area of coverage of the copyright law is substantial. The various types of subjects need to be kept in mind because they often dictate the kind of protection available to the copyright owner.<sup>52</sup>

### B. Obtaining Copyright Protection

Section two of the federal Copyright Act provides that unpublished works may be protected by state law.<sup>53</sup> Consequently, most unpublished works are protected by the business tort law of the various states. While, some states label their form of protection the law of literary property, others seem to have no name for the protection, but furnish it, nevertheless, on general equitable principles. Thus, one who takes liberties with an unpublished manuscript can be stopped by an action filed in state courts. Federal law also gives the “author” of certain limited kinds of unpublished works the option of securing federal protection instead of relying on state law.<sup>54</sup>

For *published* works, however, there is *only one method* of protection. It is in this area that there is the most confusion, and the most damage is done (as contrasted with the usual failure to prevent) by generalists. *Copyright in published works is obtained by the proper giving of notice of copyright on the work at the time of publication.* If the notice is omitted at first publication, rights in the work are forever lost.<sup>55</sup>

If the copyright is secured only by publishing a work with notice of a claim of copyright (“Copyright, 1973, Horseshoe Publns., Inc.”), what does the Copyright Office do?<sup>56</sup> Doesn’t it examine applications for copyright? Nothing could be more dangerously at odds with reality than that last notion. The Copyright Office, a branch of the Library of Congress, is a registry much like the records of deeds in local government. The chief officer of the agency is called the Register of Copyrights. Although the Copy-

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<sup>51</sup> 17 U.S.C. § 5 (1970). Classifications (g) and (h) provide an interesting overlap with design patent protection. *See, e.g., Mazer v. Stein*, 347 U.S. 201 (1954).

<sup>52</sup> 17 U.S.C. § 101 (1970).

<sup>53</sup> *Id.* § 2.

<sup>54</sup> *Id.*; *e.g., Marx v. United States*, 6 F.2d 204 (9th Cir. 1938).

<sup>55</sup> 17 U.S.C. § 10 (1970). *See, e.g., Moger v. WHDH*, 194 F.Supp. 605 (D. Mass. 1961).

<sup>56</sup> 17 U.S.C. § 19 (1970).

right Office sometimes undertakes to verify the form of claims sent for registration, its function is purely ministerial rather than substantive.<sup>57</sup>

While every generalization has its exceptions, it is accurate to say that the Copyright Office's function is primarily limited to the following: (1) collecting books for the Library of Congress (in most cases, one or more samples of the work to be registered must accompany the registration form); (2) collecting the registration fee;<sup>58</sup> and (3) issuing and recording certificates of registration, renewals, and assignments.<sup>59</sup>

There does *not* seem to be a time limit within which the registrant must send his copies of the work, the registration form, and fee to the copyright office.<sup>60</sup> The registration certificate is, however, his ticket into court in the event of alleged infringement, and no potential registrant would be wise to wait any longer than necessary to file his claim.<sup>61</sup> This ticket is valid for twenty-eight years, and unlike the patent grant, it is *renewable* in the *last* year for another twenty-eight years (fifty-six total) from the date of first publication.<sup>62</sup>

### C. Enforcing the Claim

In most situations, the protection afforded a copyright claimant is recovery of lost profits and damages resulting from the unlawful copies, and an injunction against further copying, manufacture, and sale by the infringer in the United States.<sup>63</sup> In situations involving works that are meant to be performed, the performance of such works may also be prohibited; sometimes it is public performance *alone* which is prohibited; sometimes, public performance *for profit*.<sup>64</sup> Unlike a patentee seeking damages for infringement of a utility patent, the copyright claimant need not show actual damages in order to recover; the law provides minimum statutory damages.<sup>65</sup>

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<sup>57</sup> *Vacheron & Constantin-Le Coultre Watches v. Benrus Watch*, 260 F.2d 637 (2d Cir. 1958).

<sup>58</sup> 17 U.S.C. §§ 201, 213, 215 (1970).

<sup>59</sup> *Id.* §§ 201, 11, 25, 31.

<sup>60</sup> *Id.* §§ 13, 14. See *Washingtonian Publishing Co. v. Pearson*, 306 U.S. 30 (1939).

<sup>61</sup> *Washingtonian Publishing Co. v. Pearson*, 306 U.S. 30 (1939).

<sup>62</sup> 17 U.S.C. §§ 24, 25 (1970).

<sup>63</sup> *Id.* §§ 101, 116.

<sup>64</sup> *Id.* § 1(d), (e).

<sup>65</sup> *Id.* § 101(b). This situation is somewhat ameliorated by the judicially

Again unlike the patent law, the copyright certificate of registration is "prima facie evidence of the facts stated therein."<sup>66</sup> This means only that the facts within the statement are prima facie truthful. It does not mean (or should not mean) that the copyright is valid. If one considers that the Copyright Office is a registration office, not an examination office where the substantive merits of each application are carefully checked, this distinction is understandable. Thus, matters pertaining to validity of a copyright are first tested judicially in an infringement action.

The primary burden upon the copyright claimant in an infringement action is to establish that he is the originator of the work, or that he claims under the originator. It has been observed that Shakespeare's sonnets could be presently copyrighted by someone, in fact, again *originating* the same verses.<sup>67</sup> Thus, one need not show usefulness or novelty (much less unobviousness) to have a valid copyright; one need only prove that one did not copy the subject matter from *another*. This is not a terribly difficult burden to carry, and provides a striking contrast with the patent law.<sup>68</sup>

On the other hand, the alleged infringer need only show: (1) that he did not copy *from the claimant*; (2) that the claimant copied from yet another (hence the claim is invalid); or (3) because of the claimant's misuse of the copyright, that recovery by the claimant and the other enforcement of his rights would be inequitable.<sup>69</sup>

Nevertheless, unlike his patent counterpart, it is fairly rare for the alleged infringer of a copyright to prevail under either a theory of misuse or of invalidity, and almost as rare to prevail under the theory that he did not copy from the claimant (which is *not* a valid defense to patent infringement).<sup>70</sup> For these reasons, coupled with minimum statutory damages, the length of grant, and the availability of criminal penalties,<sup>71</sup> the copyright claimant finds himself in an inordinately better position than does a patentee.

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evolved doctrine of "fair use" which allows limited copying for certain purposes. See, e.g., A. LATMAN, *HOWELL'S COPYRIGHT LAW* 151-54 (1962).

<sup>66</sup> 17 U.S.C. § 209 (1970).

<sup>67</sup> See, e.g., A. LATMAN, *supra* note 65, at 19-20.

<sup>68</sup> *Id.* at 1.

<sup>69</sup> See, e.g., *Stone & McCarrick v. Dugan Piano Co.*, 220 F. 837 (5th Cir. 1915).

<sup>70</sup> See A. LATMAN, *supra* note 65.

<sup>71</sup> 17 U.S.C. § 104 (1970). See also, e.g., *Marx v. United States*, 96 F.2d 204 (9th Cir. 1938).



## V. FEDERAL TRADEMARK REGISTRATION

## A. Kinds of Marks

It was noted above that trademark protection is found not only in state<sup>72</sup> and federal<sup>73</sup> statutes but also in the state common law. For purposes of this section, however, it is convenient to focus on the federal law since it is most carefully codified.

Under the federal statute, there are two basic registers of marks: the principal register and the supplemental register. The reason for the supplemental register is that common law rights of trademark protection do not exist in many foreign nations, and in some countries foreign copyrights by United States citizens may be registered only if they could be registered in the United States. It was early realized that many businesses have considerable proprietary rights, which although enforceable at common law are unregistrable under the technical requirements of the trademark law. And since foreign protection for such rights was unavailable in the absence of domestic trademark registrability, the supplemental register was provided. The supplemental register is similar to, but in material respects inferior to, the principal register. Having noted its existence and the basic reason therefore, however, it will not be further discussed.<sup>74</sup>

Marks are broken down under federal statute into the following categories: (a) trademarks; (b) service marks; (c) collective marks; and (d) certification marks.<sup>75</sup> An example or two of each should separate their boundaries enough to focus only on trademarks hereafter. They are, respectively: (a) "Bandaid" or "Kool-Aid"; (b) "The Educational Testing Service"; (c) "The Dairy-men's Association"; and (d) "Underwriter's Laboratories" or "The Good Housekeeping Seal of Approval."

## B. Registration

Unfortunately, because of the confusion caused, federal registration of trademarks takes place in the United States Patent Office. Registration is accomplished after an application is filed and an examination procedure, somewhat more complex than that for

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<sup>72</sup> See, e.g., N.H. REV. STAT. ANN. § 350-A (Model State Trademark Act, 1969).

<sup>73</sup> 15 U.S.C. §§ 1051-127 (1970).

<sup>74</sup> *Id.* §§ 1091-96.

<sup>75</sup> *Id.* §§ 1052-54.

patents, is concluded.<sup>76</sup> In spite of a more complex registration procedure, trademark registration is less critical than patent registration:

Every right a patentee has is given to him by the Patent Office. On the other hand, the acquisition of the right to exclude others from the use of a trademark results from the fact of use and the common law, independently of registration in the Patent Office. The happenstance [by Congressional fiat] that trademarks are registered in the *Patent* Office should not result in confusing the principles involved in dissimilar proceedings with respect to wholly dissimilar rights. It is in the public interest to *maintain* registrations of technically good trademarks on the register so long as they are still in use. The register then reflects commercial reality . . . trademark rights, unlike patent rights, continue notwithstanding cancellation of those additional rights which the Patent Office is empowered by statute to grant.<sup>77</sup>

Although a bit more complex, the trademark application procedure is quite similar to that for patents.<sup>78</sup> The biggest difference is in the standards of registerability. First, federal registration of a trademark is not based on an act of creation but rather on the *use* of the mark to distinguish goods *in interstate commerce*. Second, the technical requirements of trademark registration are that the trademark sought to be registered: (1) is not confusingly similar to another mark used for similar goods; (2) is not either descriptive of the goods or mis-descriptive (e.g., the mark, "Idaho Potatoes" would be *either* descriptive *or* misdescriptive for potatoes, depending on where they came from); (3) is not deceptive; (4) does not consist of a person's surname; and (5) variations on the above, overlapping themes.<sup>79</sup> Some of these restrictions can be waived, however, if the applicant has a long record of exclusive use. For example even though the marks contain personal surnames, Ford Motor Company and Smith Bros. Cough Drops are valid trademarks due to their long record of exclusive use.<sup>80</sup>

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<sup>76</sup> There are several inter partes proceedings in trademark matters. Under 15 U.S.C. § 1063 (1970), a party may *oppose* a registration by another; under section 1064, a party may file a petition to *cancel* another's registration. Neither of these are possible in patent application proceedings.

<sup>77</sup> *Morehouse Mfg. V. Strickland*, 407 F.2d 881, 888 (C.C.P.A. 1969).

<sup>78</sup> See text accompanying notes 31-42, *supra*; 15 U.S.C. § 1051 (1970).

<sup>79</sup> *Id.* § 1052.

<sup>80</sup> *Id.* (f).

Assuming that an applicant can meet the technical requirements for registration of his mark, and assuming the applicant does not get into a contest with another applicant or a prior registrant,<sup>81</sup> a certificate or registration that is "prima facie evidence of the validity of the registration,"<sup>82</sup> is awarded. Registration is "constructive notice of the registrant's claim of ownership" for 20 years.<sup>83</sup> Registration can be renewed by appropriate means every 20 years *as long as the mark is in use* as originally registered.<sup>84</sup> For example, if the Xerox Company should decide to expand into the toothpaste market, they would have to file a new registration application for the mark "Xerox" as applied to toothpaste—not a *renewal* application.

### C. Enforcement of Rights

Regardless of the source of trademark rights, infringement suits are brought in the courts. A trademark is infringed when a mark is applied to goods in commerce under circumstances in which another has a superior right to use the same mark on those particular goods. For example, "Xerox" is a perfectly good mark for copying machines, but applied to anti-freeze it might very well be found to infringe "Zerex" anti-freeze. All this is true even at common law.

The question, then, becomes: what does federal registration accomplish? Principal federal registration accomplishes two things not accomplished by state common law: (1) it gives the registrant the right to bring an action for infringement in federal court, regardless of the amount in controversy, the citizenship of the parties or actual competition between them;<sup>85</sup> and (2) it is constructive notice to everyone in the United States that the registrant is claiming the right to use the mark throughout the country.<sup>86</sup> After five years of use and federal registration, the registration becomes prima facie evidence of the registrant's exclusive right to use the mark.<sup>87</sup>

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<sup>81</sup> *Id.* § 1063-64; *see also, e.g.*, *Coahoma Chem. v. Smith*, 113 U.S.P.Q. 413 (Comr., 1957).

<sup>82</sup> 15 U.S.C. § 1058b (1970).

<sup>83</sup> *Id.* §§ 1072, 1058(a).

<sup>84</sup> *Id.* § 1059.

<sup>85</sup> *Id.* §§ 1114(1), 1116-21.

<sup>86</sup> *Id.* § 1115(a).

<sup>87</sup> *Id.* § 1115(b).

The implications of federal registration for a small business that may be using the mark in a limited (as yet) locality are serious. And every lawyer should be aware of these implications since small businesses are most apt to pick a generalist as counsel in such matters. Small business should be warned of the nasty problems that can arise from commencing use of a mark without first searching the federal register. Moreover, large amounts of time and money may be spent to acquire a good reputation in a mark only to subsequently discover that another has superior rights.

The remedies available to a trademark registrant for infringement are the following: (1) injunctive relief; (2) damages; (3) profits; and (4) costs and attorneys fees.<sup>88</sup> Remedies for trademark infringement are broader than those for patent infringement in that lost profits can be collected for the former; but they are narrower than copyright and utility patent remedies since neither minimum damages nor treble damages are recoverable for trademark infringement.

## VI. STATE PROTECTION

### A. Tort Actions

It is a basic proposition of intellectual and industrial property law that one may duplicate, manufacture, and sell any item that he finds in the market place unless it is covered by a patent or copyright.<sup>89</sup> If there is to be recovery by a party with superior rights under either patent or copyright the goods must bear notice.<sup>90</sup> Thus, one can be reasonably safe in copying any commodity not bearing such notice if he is able, by his own efforts, to duplicate it.

The thrust, therefore, of a state action for infringement of one's trade secret or common law literary property rights is that the other party has resorted to means other than those noted above in order to copy it. Any action such as stealing formulas or bribing or hiring trusted employees to obtain trade secrets, may be remedied at state law in an action for damages, lost profits, injunction,

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<sup>88</sup> *Id.* §§ 1114(1), 1116-21. For a discussion of misuse in trademark proceedings, see Field, *The Fourth Dimension in Labeling*, 25 FOOD DRUG COSM. L.J. 347 (1970).

<sup>89</sup> *E.g.*, *Tabor v. Hoffman*, 119 N.Y. 30, 23 N.E. 12 (1889).

<sup>90</sup> 35 U.S.C. § 287 (1970); 17 U.S.C. § 10 (1970); 15 U.S.C. § 1111 (1970). Compare 35 U.S.C. § 292 (1970) and 17 U.S.C. § 105 (1970).

or a combination thereof.<sup>91</sup> There are various limitations on the ability to recover: (1) an employee is generally free to sell his services where he pleases;<sup>92</sup> (2) a secret, in order to be protected, must be treated as such by the party claiming that it has been improperly obtained;<sup>93</sup> (3) *volunteers* of ideas to others have little right to recover if their idea is used.<sup>94</sup>

Another general rule of intellectual and industrial property law is that one may *distinguish* his goods in commerce as he pleases. Thus the thrust of an action for unfair competition (as the common law equivalent of state and federal trademark registration acts) can be that the competitor has not distinguished his goods from another's, or that he is, in fact, attempting to palm off his goods as those of another, thereby getting a free ride on another's good name. The major limitations on recovery for failure to distinguish goods are: (1) anyone may use a common descriptive term (geographical or otherwise) to denote the nature of his goods;<sup>95</sup> (2) a first user has superior rights;<sup>96</sup> (3) a trademark cannot be used to get an indefinite monopoly in the *structure* of a commodity;<sup>97</sup> or (4) there must in fact be competition between the goods.<sup>98</sup>

### B. Misuse as a Defense

Insofar as the focus of most state actions in the area of intellectual and industrial property is equitable (i.e., for an accounting and injunction), the defense of unclean hands is a potent tool for the admitted infringer of another's rights. As was previously discussed in relation to patents, rights that are exercised in such a way as to violate public policy as manifested by common or statu-

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<sup>91</sup> *E.g.*, *Downey v. General Foods*, 37 App. Div. 2d 250, 323 N.Y.S.2d 578 (1971), *rev'd* 31 N.Y.2d 56, 286 N.E.2d 257, 334 N.Y.S.2d 874 (1972).

<sup>92</sup> *E.g.*, *Schmidt, Inventions and Proprietary Information: A Tug of War Between Employees and Employers*, 7 L. NOTES 39 (1971).

<sup>93</sup> *E.g.*, *Downey v. General Foods*, 37 App. Div. 2d 250, 323 N.Y.S.2d 578 (1971), *rev'd*; 31 N.Y.2d 56, 286 N.E.2d 257, 334 N.Y.S.2d 874 (1972).

<sup>94</sup> 37 App. Div. 2d at 258, 323 N.Y.S.2d at 586-87.

<sup>95</sup> A contrary rule would be unworkable, and this is recognized and codified in 15 U.S.C. § 1052(e) (1970).

<sup>96</sup> *E.g.*, 15 U.S.C. § 1052(d) (1970).

<sup>97</sup> For an excellent policy discussion of a well-known factual situation, see *Sylvania Elec. Prod. v. Dura Elec. Lamp Co.*, 144 F. Supp. 112 (D.N.J. 1956). See also *In re Leblanc*, 429 F.2d 989 (C.C.P.A. 1970).

<sup>98</sup> This situation, of course, only obtains until there is a registration under state or federal law that provides constructive notice regardless of actual competition. 15 U.S.C. § 1115(a) (1970).

tory law are unenforceable in equity. There are cases, for example, in which recovery on the theory of unfair competition was denied where the party seeking the aid of the court was shown to be deceiving the public with the very labels upon which his mark appeared.<sup>99</sup>

## VII. CONCLUSION: THE FUNCTION OF THE GENERALIST

As pointed out in the first two sections of this article, a substantial amount of the law of intellectual and industrial property is state law. It is in the area of state law that the generalist is as apt to be at least as competent as a specialist in a metropolis in another state; even in large metropolitan areas, generalists serve an important function in intellectual and industrial property law.<sup>100</sup> With a minimum appreciation of some constitutional problems and of the thrust of the anti-trust laws, a generalist is as capable of handling a good will transfer for a business, of aiding in prosecution of a defendant for industrial espionage, or of enforcing a contract (with, perhaps, the exception of patent license agreement)<sup>101</sup> as a patent or copyright attorney. Depending on the subject matter involved and the geographical scope and location of a business, he may be more so.

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<sup>99</sup> See, e.g., *Strey v. Devine's Inc.*, 217 F.2d 187 (7th Cir. 1954); *Worden v. California Fig Syrup Co.*, 187 U.S. 516 (1903).

<sup>100</sup> Martin, *supra* note 1. It is also worthy of note that only in regard to patent office patent prosecutions are special qualifications needed. See 35 U.S.C. §§ 31-33 (1970). Compare 37 C.F.R. §§ 1.343, and 2.12 (1974).

<sup>101</sup> See Baxter, *supra* note 50.



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